General Moly, Inc
Form 10-Q
November 03, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-32986

General Moly, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	**91-0232000**
(State or other jurisdiction	(I.R.S. Employer

of incorporation or organization)	Identification No.)

1726 Cole Blvd., Suite 115
Lakewood, CO 80401
Telephone: (303) 928-8599
(Address and telephone number of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x

The number of shares outstanding of issuer s common stock as of October 29, 2014, was 91,912,840.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GENERAL MOLY, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS:		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,020	$ 21,685
Deposits, prepaid expenses and other current assets	315	625
Total Current Assets	8,335	22,310
Mining properties, land and water rights	214,277	206,251
Deposits on project property, plant and equipment	74,137	74,108
Restricted cash held at EMLLC	36,000	36,000
Restricted cash held for electricity transmission	12,021	12,020
Restricted cash held for reclamation bonds	6,342	6,332
Non-mining property and equipment, net	556	669
Other assets	2,994	2,994
TOTAL ASSETS	$ 354,662	$ 360,684
LIABILITIES, CRNCI, AND EQUITY:		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 4,637	$ 4,691
Accrued advance royalties	500	500
Accrued payments to Agricultural Sustainability Trust	2,000	2,000
Current portion of long term debt	224	263
Total Current Liabilities	7,361	7,454
Provision for post closure reclamation and remediation costs	1,045	1,318
Accrued advance royalties	5,200	4,700
Accrued payments to Agricultural Sustainability Trust	2,000	2,000
Long term debt, net of current portion	382	538
Other accrued liabilities	875	875
Total Liabilities	16,863	16,885
COMMITMENTS AND CONTINGENCIES		
CONTINGENTLY REDEEMABLE NONCONTROLLING INTEREST (CRNCI)	209,447	209,007

EQUITY				
Common stock, $0.001 par value; 200,000,000 shares authorized, 91,911,607 and 91,761,249 shares issued and outstanding, respectively		92		92
Additional paid-in capital		275,841		273,857
Accumulated deficit before exploration stage		(213)		(213)
Accumulated deficit during exploration and development stage		(147,368)		(138,944)
Total Equity		128,352		134,792
TOTAL LIABILITIES, CRNCI, AND EQUITY	$	354,662	$	360,684

The accompanying notes are an integral part of these consolidated financial statements.

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GENERAL MOLY, INC. (GMI)

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited In thousands, except per share amounts)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	January 1, 2002 (Inception of Exploration Stage) to September 30, 2014
REVENUES	$	$	$	$	$
OPERATING EXPENSES:					
Exploration and evaluation	653	366	1,773	699	43,024
General and administrative expense	2,585	1,429	6,651	6,303	96,011
Write-downs of development and deposits					8,819
TOTAL OPERATING EXPENSES	3,238	1,795	8,424	7,002	147,854
LOSS FROM OPERATIONS	(3,238)	(1,795)	(8,424)	(7,002)	(147,854)
OTHER INCOME / (EXPENSE):					
Interest and dividend income				1	4,070
Interest expense		(32)		(753)	(1,715)
Realized gain from sale of mining properties				100	3,292
Write off of loan commitment fees (warrant)				(11,472)	(11,472)
Gain on forgiveness of debt (interest on bridge loan)		804		804	804
Constructive receipt of break fee		10,000		10,000	10,000
Write-off of debt issuance costs		(6,420)		(6,420)	(6,420)
TOTAL OTHER (EXPENSE) / INCOME , NET		4,352		(7,740)	(1,441)
(LOSS)/INCOME BEFORE INCOME TAXES	(3,238)	2,557	(8,424)	(7,740)	(149,295)
Income Taxes					
CONSOLIDATED NET (LOSS)/INCOME	$ (3,238)	$ 2,557	$ (8,424)	$ (14,742)	$ (149,295)
Less: Net loss attributable to CRNCI					1,927
NET (LOSS)/INCOME ATTRIBUTABLE TO GMI	$ (3,238)	$ 2,557	$ (8,424)	$ (14,742)	$ (147,368)
Basic net (loss)/income attributable to GMI per share of common stock	$ (0.04)	$ 0.03	$ (0.09)	$ (0.16)	
Weighted average number of shares outstanding basic	91,884	91,562	91,873	91,546	
Diluted net (loss)/income attributable to GMI per share of common stock	(0.04)	0.03	(0.09)	(0.16)	
Weighted average number of shares outstanding diluted	91,884	92,054	91,873	91,546	
COMPREHENSIVE (LOSS)/INCOME	$ (3,238)	$ 2,557	$ (8,424)	$ (14,742)	$ (147,368)

The accompanying notes are an integral part of these consolidated financial statements.

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GENERAL MOLY, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited In thousands)

	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	January 1, 2002 (Inception of Exploration Stage) to September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Consolidated Net Loss	$ (8,424)	$ (14,742)	$ (149,295)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	219	290	2,514
Interest expense		751	1,715
Stock-based compensation for employees and directors	1,405	1,425	21,460
Decrease (increase) in deposits, prepaid expenses and other	310	(325)	(223)
Increase (decrease) in accounts payable and accrued liabilities	663	(8,435)	(18,379)
(Increase) in restricted cash held for electricity transmission	(1)	(7)	(12,021)
(Decrease) increase in post closure reclamation and remediation costs	(273)	1,027	836
Realized gain related to sale of mining properties		(100)	(3,292)
Write off of loan commitment fees (warrant)		11,472	11,472
Gain on forgiveness of debt (interest on bridge loan)		(804)	(804)
Constructive receipt of break fee		(10,000)	(10,000)
Write-off of debt issuance costs		6,420	6,420
Write downs of development and deposits			8,819
Services and expenses paid with common stock			1,990
Warrant repricing			965
Net cash used by operating activities	(6,101)	(13,028)	(137,823)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and development of mining properties, land and water rights	(7,042)	(31,896)	(183,906)
Deposits on property, plant and equipment	(746)	(3,615)	(74,500)
Proceeds from option to purchase agreement		400	4,100
(Increase) in restricted cash held for reclamation bonds	(10)		(5,851)
(Increase) in restricted cash - EMLLC			(36,000)
Cash provided by sale of marketable securities			109
Net cash used by investing activities	(7,798)	(35,111)	(296,048)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash proceeds from POS-Minerals Corporation	440	6,880	211,374
(Decrease) in leased assets, net	(195)	(110)	(455)
Stock proceeds, net of issuance costs, and restricted stock net share settlement	(11)	49	228,340
Capitalized debt issuance costs		(702)	(4,420)
Proceeds from debt			10,000
			(2,994)

Cash paid to POS-Minerals Corporation for purchase price adjustment						
Net cash provided by financing activities		234		6,117		441,845
Net (decrease) increase in cash and cash equivalents		(13,665)		(42,022)		7,974
Cash and cash equivalents, beginning of period		21,685		68,331		46
Cash and cash equivalents, end of period	$	8,020	$	26,309	$	8,020
NON-CASH INVESTING AND FINANCING ACTIVITIES:						
Equity compensation capitalized as development	$	590		733	$	8,765
Change in accrued portion of deposits on property, plant and equipment		(717)				(717)
Installment purchase of equipment and land				74		139
Accrued portion of advance royalties		500		500		5,700
Accrued payments to the Agricultural Sustainability Trust						4,000
Post closure reclamation and remediation costs, reclamation bond, and accounts payable assumed in an acquisition						754
Common stock and warrants issued for property and equipment						1,586

The accompanying notes are an integral part of these consolidated financial statements.

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GENERAL MOLY, INC.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS

General Moly, Inc. (we, us, our, Company, or General Moly) is a Delaware corporation originally incorporated as General Mines Corporatio November 23, 1925. We have gone through several name changes and on October 5, 2007, we reincorporated in the State of Delaware (Reincorporation) through a merger involving Idaho General Mines, Inc. and General Moly, Inc., a Delaware corporation that was a wholly-owned subsidiary of Idaho General Mines, Inc. The Reincorporation was effected by merging Idaho General Mines, Inc. with and into General Moly, with General Moly being the surviving entity. For purposes of the Company s reporting status with the United States Securities and Exchange Commission (SEC), General Moly is deemed a successor to Idaho General Mines, Inc.

We were in the exploration stage from January 1, 2002 until October 4, 2007, when our Board of Directors (Board) approved the development of the Mt. Hope molybdenum property (Mt. Hope Project) in Eureka County, Nevada. The Company is now in the development stage and is in the process of obtaining financing for the development of the Mt. Hope Project.

We are also conducting exploration and evaluation activities on our Liberty molybdenum and copper project (Liberty Project) in Nye County, Nevada. On April 8, 2014, we announced the initiation of a National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administration (NI 43-101) compliant Preliminary Economic Assessment (PEA) on a starter pit project at the Liberty Project. On July 7, 2014, the Company announced the elevation of the PEA to a Pre-Feasibility Study (PFS) prepared in accordance with NI 43-101. On July 24, 2014, the Company announced the completion of the updated PFS. This PFS estimates production, capital, operating cost, and economic analysis for this more capital efficient project when compared to earlier studies. A technical report prepared in compliance with NI 43-101 was filed on July 30, 2014.

Mt. Hope Project Ownership

From October 2005 to January 2008, we owned the rights to 100% of the Mt. Hope Project. Effective as of January 1, 2008, we contributed all of our interest in the assets related to the Mt. Hope Project, including our lease of the Mt. Hope Project, into Eureka Moly, LLC (the LLC), and in February 2008 entered into an agreement (LLC Agreement) for the development and operation of the Mt. Hope Project with POS-Minerals Corporation (POS-Minerals). Under the LLC Agreement, POS-Minerals owns a 20% interest in the LLC and General Moly, through Nevada Moly, LLC (Nevada Moly), a wholly-owned subsidiary, owns an 80% interest. The ownership interests and/or required capital contributions under the LLC Agreement can change as discussed below.

Pursuant to the terms of the LLC Agreement, POS-Minerals made its first and second capital contributions to the LLC totaling $100.0 million during the year ended December 31, 2008 (Initial Contributions). Additional amounts of $100.7 million were received from POS-Minerals in December 2012, following receipt of major operating permits for the Mt. Hope Project, including the Record of Decision (ROD) from the U.S. Bureau of Land Management (BLM).

In addition, as commercial production at the Mt. Hope Project was not achieved by December 31, 2011, the LLC will be required to return to POS-Minerals $36.0 million of its capital contributions, with no corresponding reduction in POS-Minerals ownership percentage. This return of contributions payment is contingent upon the commencement of commercial production, as defined in the LLC Agreement, and will be due 20 days thereafter. Based on our current plan, subject to availability of full financing for construction of the Mt. Hope Project, we anticipate commercial production will be achieved following a 20 24 month construction period. Nevada Moly is obligated under the terms of the LLC Agreement to make capital contributions to the LLC to fund the return of contributions to POS-Minerals upon achievement of commercial production (i.e. when the contingency is resolved). If Nevada Moly does not fund its additional capital contribution in order for the LLC to return to POS-Minerals $36.0 million of its total capital contributions, POS-Minerals has an election to either make a secured loan to the LLC to fund the return of contributions, or receive an additional interest in the LLC of approximately 5%. In the latter case, Nevada Moly s interest in the LLC is subject to dilution by a percentage equal to the ratio of 1.5 times the amount of the unpaid return of contributions over the aggregate amount of deemed capital contributions (as determined under the LLC Agreement) of both parties to the LLC (Dilution Formula). At September 30, 2014, the aggregate amount of deemed capital contributions of both parties was $1,072.3 million.

Furthermore, the LLC Agreement permits POS-Minerals to put its interest in the LLC to Nevada Moly after a change of control of Nevada Moly or the Company, as defined in the LLC Agreement, followed by a failure to use standard mining industry practice in connection with the development and operation of the Mt. Hope Project as contemplated by the parties for a period of twelve consecutive months. If POS-Minerals puts its interest, Nevada Moly or its transferee or surviving entity would be required to purchase the interest for 120% of POS-Minerals total contributions to the LLC, which, if not paid timely, would be subject to 10% interest per annum.

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In November 2012, the Company and POS-Minerals began making monthly pro rata capital contributions to the LLC to fund costs incurred as required by the LLC Agreement. The interest of a party in the LLC that does not make its monthly pro rata capital contributions to fund costs incurred is subject to dilution based on the Dilution Formula. The Company and POS-Minerals consented, effective July 1, 2013, to Nevada Moly accepting financial responsibility for POS-Minerals 20% interest in costs related to Nevada Moly s compensation and reimbursement as Manager of the LLC, and certain owners costs associated with Nevada Moly s ongoing progress to complete project financing for its 80% interest, resulting in $2.9 million paid by Nevada Moly on behalf of POS-Minerals during the term of the consensual agreement, which ended on June 30, 2014. Effective July 1, 2014, POS-Minerals has once again contributed its 20% interest in all costs incurred by the LLC. Subject to the terms above, all required monthly contributions have been made by both parties.

Termination of Agreements with Hanlong (USA) Mining Investment Inc.

In March 2010, we signed a series of agreements with Hanlong (USA) Mining Investment, Inc. (Hanlong), an affiliate of Sichuan Hanlong Group, a privately held Chinese company. The agreements formed the basis of a $745 million transaction that was intended to provide the Company with adequate capital to contribute its 80% share of costs to develop the Mt. Hope Project. The agreements included a Securities Purchase Agreement (the Purchase Agreement) that provided for the sale to Hanlong of shares of our common stock in two tranches that would have aggregated 25% of our outstanding stock on a fully diluted basis, conditioned on Hanlong procuring a project financing Term Loan from a Chinese bank; a Stockholder Agreement that provided Hanlong representation on our Board, governed how Hanlong would vote its shares of the Company, and limited Hanlong s ability to purchase or dispose of our securities; and a Bridge Loan whereby Hanlong provided $10 million to the Company to preserve liquidity until availability of the Term Loan. Pursuant to the Purchase Agreement, in December, 2010, we issued 11.8 million shares of common stock for the first tranche to Hanlong, for a purchase price of $40 million. After the share purchase, Hanlong became entitled to nominate one director to serve on our Board, and Nelson Chen was designated by Hanlong to serve in that capacity. We granted Hanlong registration rights with respect to those shares. The Company filed a Registration Statement on Form S-3 in December 2013, which, among other transactions included registration of the Hanlong shares, thereby allowing Hanlong to sell their shares to a third party. The registration statement was declared effective on January 29, 2014.

In October 2012, we entered into an agreement with Hanlong for a Subordinated Debt Facility (Sub Debt Facility) of up to $125.0 million. Simultaneously with the execution of the Sub Debt Facility, the Company issued a warrant to Hanlong with a 2.5-year maturity to purchase ten million shares of the Company s common stock. In May 2013, the Company and Hanlong mutually agreed to terminate the Sub Debt Facility and warrant to provide the Company with greater flexibility in securing an additional strategic partner. As the warrant was fully vested and exercisable at the time of termination, this resulted in an $11.5 million non-cash charge to the income statement for the remaining unamortized value associated with the issuance of the warrant.

As a result of Hanlong s failure to timely procure the Term Loan as required by the Purchase Agreement, in August 2013, the Company terminated certain agreements it had in place with Hanlong. In addition, as a result of the failure to procure the Term Loan, Hanlong was obligated to pay the Company a break fee of $10.0 million. The Company and Hanlong agreed to offset the break fee against the repayment of the $10.0 million Bridge Loan. The outstanding balance of the Bridge Loan and related accrued interest were recorded on the income statement as constructive receipt of break fee for $10.0 million and forgiveness of debt of bridge loan interest for $0.8 million. Concurrently, the Company wrote off $6.4 million of debt issuance costs, as those costs were related to Hanlong s obligation to procure the Term Loan to construct the Mt. Hope Project, and that obligation was released upon termination of the Purchase Agreement.

In connection with the termination of the Hanlong agreements, most of the provisions of the Stockholder Agreement were also terminated. Under the continuing provisions of the Stockholder Agreement, Hanlong s right to designate one nominee to the Board continues until such time that Hanlong s ownership percentage falls below 10%. As of September 30, 2014, Hanlong owns approximately 13% of our outstanding common stock. In June, 2013, the Board recommended the election of Mr. Chen as a Class III member, in the Board s slate of nominees submitted to our stockholders, pursuant to the Stockholder Agreement. He was elected by a vote of the stockholders at the Company s 2013 Annual Meeting of Stockholders for a three-year term, expiring in June 2016.

NOTE 2 LIQUIDITY

Our consolidated cash balance at September 30, 2014, was $8.0 million compared to $21.7 million at December 31, 2013, with the decrease primarily attributed to Mt. Hope Project spend and general and administrative expenses.

The cash needs for the development of the Mt. Hope Project are significant and require that we and/or the LLC arrange for financing to be combined with funds anticipated to be received from POS-Minerals in order to retain its 20% membership interest. If we are unsuccessful in obtaining financing, we will not be able to proceed with the development of the Mt. Hope Project.

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The Company is working with its financial advisors to advance the full financing of the Mt. Hope Project, and continues to pursue other potential financing sources such as strategic partners, capital markets, including equity offerings, domestic and international credit markets, and bank project financing. There is no assurance that the Company will be successful in raising the financing required to complete the Mt. Hope Project, or in raising additional financing in the future on terms acceptable to the Company, or at all. Further, the Company does not have an estimated timeframe for finalizing any financing agreements.

In order to preserve our cash liquidity, effective September 7, 2013, we implemented a cost reduction and personnel retention program, which included reductions in base cash compensation for our executive officers, senior management employees and members of the Board. Cash compensation for our Chief Executive Officer was reduced by 25%, with other senior officers and employees receiving 10 20% salary reductions and non-employee directors receiving a 25% decrease in cash compensation for annual retainer and meeting fees. The Board also approved cash and equity incentives for the executive officers who remain with the Company through the earliest to occur of a financing plan for the Mt. Hope Project approved by the Board, a Change of Control (as defined in the employment or change of control agreements between the Company and each of our executive officers); involuntary termination (absent cause); or January 15, 2015 (the Vesting Date), and a personnel retention program providing cash and equity incentives for other employees who remain with the Company. Under this plan, we estimate that we will pay $1.8 million upon the earliest of occurrence of the aforementioned events. Also, in a further cost reduction effort, the Board was reduced to seven members effective December 31, 2013, with the retirement of three Board members.

We continue to work with our long-lead vendors to defer timing of contractual payments for mining and milling equipment in order to preserve current liquidity. The following table sets forth the LLC s cash commitments under these equipment contracts (collectively, Purchase Contracts) at September 30, 2014 (in millions):

Year		**As of September 30, 2014 ***
2014	$	
2015		13.3
2016		1.4
Total	$	14.7

* All amounts are commitments of the LLC, and are to be funded 80% by Nevada Moly and 20% by POS-Minerals.

If the LLC does not make the payments contractually required under these purchase contracts, it could be subject to claims for breach of contract or to cancellation of the respective purchase contract. In addition, the LLC may proceed to selectively suspend, cancel or attempt to renegotiate additional purchase contracts if necessary to further conserve cash. If the LLC cancels or breaches any contracts, the LLC will take all appropriate action to minimize any losses, but could be subject to liability under the contracts or applicable law. The cancellation of certain key contracts could cause a delay in the commencement of operations, and could add to the cost to develop the Company s interest in the Mt. Hope Project.

Through September 30, 2014, the LLC has made deposits and/or final payments of $74.1 million on equipment orders. Of these deposits, $64.3 million relate to fully fabricated items, primarily milling equipment, for which the LLC has additional contractual commitments of $14.7 million noted in the table above. The remaining $9.8 million reflects both partially fabricated milling equipment, and non-refundable deposits on mining equipment. As discussed in Note 11, the mining equipment agreements remain cancellable with no further liability to the LLC. The underlying value and recoverability of these deposits and our mining properties in our consolidated balance sheets are dependent on the LLC s ability to fund development activities that would lead to profitable production and positive cash flow from operations, or proceeds from the disposition of these assets. There can be no assurance that the LLC will be successful in generating future profitable operations, disposing of these assets or the Company securing additional funding in the future on terms acceptable to us or at all. Our consolidated financial statements do not include any adjustments relating to recoverability and classification of recorded assets or liabilities.

The LLC established a $36.0 million reserve account in December of 2012, at the direction of the LLC management committee, which will remain until availability of the Company s portion of financing for the Mt. Hope Project is confirmed or until the management committee, consisting of equal representation from the Company and POS-Minerals, agrees to release the funds. These funds are payable to Nevada Moly upon release, at which time they become available for use by the Company.

Based on our commitments as of September 30, 2014, we expect to make additional payments for reclamation bonding costs of $0.5 million and advance royalties of $0.5 million through the end of 2014. With our cash conservation plan, our non-equipment related cash requirements have declined to approximately $1.5 million per month. Accordingly, based on our current cash on hand and our ongoing cash conservation plan, the Company expects it will have adequate liquidity through the end of 2014. However, additional financing will be required to meet commitments and operating costs beginning in the latter part of the first quarter of 2015.

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Potential funding sources include public or private equity offerings, arranging for use of restricted cash, or sale of non-core assets owned by the Company. There is no assurance that the Company will be successful in securing additional funding. If we are unable to obtain additional financing, there is substantial doubt that we would continue as a going concern. This could result in further cost reductions, contract cancellations, and potential delays which ultimately may jeopardize the timing of the development of the Mt. Hope Project.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements (interim statements) of the Company are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. All such adjustments are, in the opinion of management, of a normal recurring nature. The results reported in these interim statements are not necessarily indicative of the results that may be presented for the entire year. These interim statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission (SEC) on March 13, 2014.

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Accounting Method

Our financial statements are prepared using the accrual basis of accounting in accordance with GAAP. With the exception of the LLC, all of our subsidiaries are wholly owned. In February 2008, we entered into the LLC Agreement, which established our ownership interest in the LLC at 80%. The consolidated financial statements include all of our wholly owned subsidiaries and the LLC. The POS-Minerals contributions attributable to their 20% interest are shown as Contingently Redeemable Noncontrolling Interest on the Consolidated Balance Sheet. The net loss attributable to contingently redeemable noncontrolling interest is reflected separately on the Consolidated Statement of Operations and reduces the Contingently Redeemable Noncontrolling Interest on the Consolidated Balance Sheet. Net losses of the LLC are attributable to the owners of the LLC based on their respective ownership percentages in the LLC. For the three and nine months presented herein, there were no such losses.

Contingently Redeemable Noncontrolling Interest (CRNCI)

Under GAAP, certain noncontrolling interests in consolidated entities meet the definition of mandatorily redeemable financial instruments if the ability to redeem the interest is outside of the control of the consolidating entity. As described in Note 1 Description of Business , the LLC Agreement permits POS-Minerals the option to put its interest in the LLC to Nevada Moly upon a change of control, as defined in the LLC Agreement, followed by a failure to use standard mining industry practice in connection with development and operation of the Mt. Hope Project as contemplated by the parties for a period of 12 consecutive months. As such, the CRNCI has continued to be shown as a separate caption between liabilities and equity. The carrying value of the CRNCI includes $36.0 million that will be returned to POS-Minerals contingent upon the achievement of commercial production at the Mt. Hope Project as stipulated in the LLC Agreement. The expected return of capital to POS-Minerals is carried at redemption value as we believe redemption of this amount is probable. The remaining carrying value of the CRNCI has not been adjusted to its redemption value as the contingencies that may allow POS-Minerals to require redemption of its noncontrolling interest are not probable of occurring. Under GAAP, until such time as that contingency has been eliminated and redemption is no longer contingent upon anything other than the passage of time, no adjustment to the CRNCI balance should be made. Future changes in the redemption value will be recognized immediately as they occur and the Company will adjust the carrying amount of the CRNCI to equal the redemption value at the end of each reporting period.

Estimates

The process of preparing consolidated financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents and Restricted Cash

We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company s cash equivalent instruments are classified within Level 1 of the fair value hierarchy established by FASB guidance for Fair Value Measurements because they are valued based on quoted market prices in active markets.

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We consider all restricted cash to be long-term. In December 2012, the LLC established a reserve account at the direction of the LLC management committee in the amount of $36.0 million, which will remain until availability of the Company s portion of financing for the Mt. Hope Project is confirmed or until the LLC management committee agrees to release the funds. These funds are payable to Nevada Moly upon release, at which time they become available for use by the Company.

Exploration and Development Stage Activities

We were in the exploration stage from January 2002 until October 4, 2007. On October 4, 2007, our Board approved the development of the Mt. Hope Project as contemplated in the Bankable Feasibility Study and we then entered into the development stage. We have not realized any revenue from operations. We are currently engaged in development of the Mt. Hope Project and exploration and evaluation of the Liberty Project.

Basic and Diluted Net Loss Per Share

Net loss per share was computed by dividing the net loss attributable to General Moly by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Outstanding awards as of September 30, 2014 and 2013, respectively, were as follows:

	September 30, 2014	**September 30, 2013**
Warrants	1,000,000	1,000,000
Stock Options	381,112	674,999
Unvested Stock Awards	2,197,930	2,122,588
Stock Appreciation Rights	2,096,653	1,610,847

Diluted income (loss) per share is computed similarly except that weighted average common shares outstanding is increased to reflect all dilutive instruments. Options and warrants outstanding and stock appreciation rights representing 1,250,847 at September 30, 2013 were not included in the diluted weighted average common shares because their exercise prices exceeded the average price of the Company s common stock for the three months then ended. The weighted average potential dilutive shares of unvested stock awards of 292,748 and stock appreciation rights of 199,390 were included in the total weighted average shares outstanding. Options and warrants outstanding, unvested stock awards and stock appreciation rights were not included in the computation of diluted loss per share at September 30, 2014 for the three months then ended and September 30, 2014 and September 30, 2013 for the nine months then ended because to do so would have been anti-dilutive.

Mineral Exploration and Development Costs

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no economic ore body is discovered, previously capitalized costs are expensed in the period the property is abandoned. Expenditures to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on a units-of-production basis over proven and probable reserves.

Should a property be abandoned, its capitalized costs are charged to operations. The Company charges to the consolidated statement of operations the allocable portion of capitalized costs attributable to properties sold. Capitalized costs are allocated to properties sold based on the proportion of claims sold to the claims remaining within the project area.

Mining Properties, Land and Water Rights

Costs of acquiring and developing mining properties, land and water rights are capitalized as appropriate by project area. Exploration and related costs and costs to maintain mining properties, land and water rights are expensed as incurred while the property is in the exploration and evaluation stage. Development and related costs and costs to maintain mining properties, land and water rights are capitalized as incurred while the property is in the development stage. When a property reaches the production stage, the related capitalized costs are amortized using the units-of-production basis over proven and probable reserves. Mining properties, land and water rights are periodically assessed for impairment of value, and any subsequent losses are charged to operations at the time of impairment. If a property is abandoned or sold, a gain or loss is recognized and included in the consolidated statement of operations.

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The Company has capitalized royalty payments made to Mt. Hope Mines, Inc. (MHMI) (discussed in Note 11 below) during the Mt. Hope Project s development stage. The amounts will be applied to production royalties owed upon the commencement of production.

Depreciation and Amortization

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment are depreciated using the following estimated useful lives:

Field equipment	Four to ten years
Office furniture, fixtures, and equipment	Five to seven years
Vehicles	Three to five years
Leasehold improvements	Three years or the term of the lease, whichever is shorter
Residential trailers	Ten to twenty years
Buildings and improvements	Ten to twenty seven and one-half years

At September 30, 2014 and 2013, accumulated depreciation and amortization was $2.3 and $2.0 million, respectively, of which $2.0 and $1.7 million, respectively, was capitalized.

Provision for Taxes

Income taxes are provided based upon the asset and liability method of accounting. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. In accordance with authoritative guidance under Accounting Standards Codification (ASC) 740, *Income Taxes*, a valuation allowance is recorded against the deferred tax asset if management does not believe the Company has met the more likely than not standard to allow recognition of such an asset.

Reclamation and Remediation

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Future obligations to retire an asset, including site closure, dismantling, remediation and ongoing treatment and monitoring, are recorded as a liability at fair value at the time of construction or development. The fair value determination is based on estimated future cash flows, the current credit-adjusted risk-free discount rate and an estimated inflation factor. The value of asset retirement obligations is evaluated on an annual basis or as new information becomes available on the expected amounts and timing of cash flows required to discharge the liability. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount will be depreciated or amortized over the estimated life of the asset upon the commencement of commercial production. An accretion cost, representing the increase over time in the present value of the liability, will also be recorded each period as accretion expense upon the commencement of commercial production. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced.

Stock-based Compensation

Stock-based compensation represents the fair value related to stock-based awards granted to members of the Board, officers and employees. The Company uses the Black-Scholes model to determine the fair value of stock-based awards under authoritative guidance for *Stock-Based Compensation*. For stock based compensation that is earned upon the satisfaction of a service condition, the cost is recognized on a straight-line basis (net of estimated forfeitures) over the requisite vesting period (up to three years). Awards expire five years from the date of vesting.

Further information regarding stock-based compensation can be found in Note 8 Equity Incentives.

Recent Accounting Pronouncements

Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists

In July 2013, the FASB issued Accounting Standards Update (ASU) 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry forward, a Similar Tax Loss, or a Tax Credit Carry forward Exists. The update aims to clarify presentation and disclosure of unrecognized tax benefits to ensure consistency among organizations. The

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adoption of this guidance in the first quarter of 2014 did not have a material impact on the Company s financial condition, results of operation, or cash flows.

Development Stage Entities (Topic 915) - Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation

In June 2014, the FASB issued ASU 2014-10, Development Stage Entities (Topic 915) - Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation. The update removes all incremental financial reporting requirements from U.S. GAAP for development stage entities, including the removal of Topic 915, Development Stage Entities, from the FASB Accounting Standards Codification. The Company anticipates adoption of this guidance in its financial statements for the year ended December 31, 2014 which will result in removal of all references to development stage entities, modified disclosure and financial statements.

Presentation of Financial Statements Going Concern (Topic 205): Disclosures of Uncertainties about an Entity s Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements Going Concern (Topic 205): Disclosures of Uncertainties about an Entity s Ability to Continue as a Going Concern. The update requires management to evaluate whether there are conditions and events that raise substantial doubt about an entity s ability to continue as a going concern within one year after the date the financial statements are issued and requires additional disclosures documenting such evaluation. The Company is currently reviewing the standard to determine the appropriate timing for adoption.

NOTE 4 MINING PROPERTIES, LAND AND WATER RIGHTS

We currently have interests in two mining properties that are the primary focus of the Company. The Mt. Hope Project is currently in the development stage and the Liberty Project is in the exploration and evaluation stage. We also have certain other, non-core, mining properties that are being held for future development or sale. The following is a summary of mining properties, land and water rights at September 30, 2014 and December 31, 2013 (in thousands):

		At September 30, 2014		**At December 31, 2013**
Mt. Hope Project:				
Development costs	$	163,966	$	156,436
Mineral, land and water rights		11,728		11,728
Advance Royalties		28,800		28,300
Total Mt. Hope Project		204,494		196,464
Total Liberty Project		9,702		9,706
Other Properties		81		81
Total	$	214,277	$	206,251

Development costs and Deposits on project property, plant and equipment

Development costs of $164.0 million include hydrology and drilling costs, expenditures to further the permitting process, capitalized salaries, project engineering costs, and other expenditures required to fully develop the Mt. Hope Project. Deposits on project property, plant and equipment of $74.1 million represent ongoing progress payments on equipment orders for the custom-built grinding and milling equipment, related electric mill drives, and other processing equipment that require the longest lead times.

Restricted Cash held for Electricity Transmission

The LLC has paid $12.0 million into an escrow arrangement for electricity transmission services. The amount represents security for a third party transmission contract that will provide power to the Mt. Hope Project, and is accounted for as restricted cash. In the event that electricity transmission is not delivered to the Mt. Hope Project commencing on December 1, 2014, the LLC will work with the provider to resell the available transmission capacity or renegotiate an extension of the existing agreement. To the extent that the transmission capacity cannot be resold or the agreement extended, the LLC will forfeit the $12.0 million over a five-year period according to a contractual monthly drawdown schedule.

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NOTE 5 ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations arise from the acquisition, development, construction and normal operation of mining property, plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The exact nature of environmental issues and costs, if any, which the Company or the LLC may encounter in the future are subject to change, primarily because of the changing character of environmental requirements that may be enacted by governmental authorities.

The following table shows asset retirement obligations for future mine closure and reclamation costs in connection with the Mt. Hope Project and within the boundaries of the Plan of Operations (PoO):

		At September 30, 2014 (in thousands)
At December 31, 2013	$	1,112
Additions		
Adjustments *		(266)
At September 30, 2014	$	846

* Includes annual changes to the escalation rate, the market-risk premium rate, or reclamation time periods

The estimated future reclamation costs for the Mt. Hope Project have been discounted using a rate of 8%. The total inflated and undiscounted estimated reclamation costs associated with current disturbance under the PoO at the Mt. Hope Project were $7.9 million at September 30, 2014.

The LLC is required by U.S. federal and state laws to provide financial assurance sufficient to allow a third party to implement approved closure and reclamation plans if the LLC is unable to do so. The laws govern the determination of the scope and cost of the closure, and the amount and forms of financial assurance. As of September 30, 2014, the LLC has provided the appropriate regulatory authorities with $73.4 million in reclamation financial guarantees through the posting of surety bonds for reclamation of the Mt. Hope Project as approved in the ROD. As of September 30, 2014, we had $5.6 million in cash deposits associated with these bonds, which are specific to the PoO disturbance and accounted for as restricted cash and are unrelated to the inflated and undiscounted liability referenced above.

An additional $0.7 million in cash bonding has been posted by the Company for other disturbance outside the PoO at Mt. Hope, and at the Liberty Project.

The LLC has a smaller liability at the Mt. Hope Project for disturbance associated with exploration drilling which occurred outside the PoO boundaries. The LLC has not discounted this reclamation liability as the total amount is approximately $0.1 million.

The Company s Liberty Project is currently in the exploration stage. The Company has not discounted the reclamation liability incurred at the Liberty Project as the total is approximately $0.1 million.

	Mt. Hope Project outside PoO boundary	Liberty
	(in thousands)	
At December 31, 2013	$ 81	$ 125
Additions		
Adjustments *		(7)
At September 30, 2014	$ 81	$ 118

* Includes reduced / reclaimed disturbance, BLM rate changes, and transfer into the approved PoO

NOTE 6 COMMON STOCK UNITS, COMMON STOCK AND COMMON STOCK WARRANTS

During the three and nine months ended September 30, 2014, respectively, we issued 35,080 and 150,358 shares of common stock pursuant to stock awards under the 2006 Equity Incentive Plan. All warrants outstanding at September 30, 2014 are exercisable at $5.00 per share once the Company has received financing necessary for the commencement of commercial production at the Mt. Hope Project and will expire one year thereafter.

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Pursuant to our Certificate of Incorporation, we are authorized to issue 200,000,000 shares of $0.001 par value common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

NOTE 7 PREFERRED STOCK

Pursuant to our Certificate of Incorporation we are authorized to issue 10,000,000 shares of $0.001 per share par value preferred stock. The authorized but unissued shares of preferred stock may be issued in designated series from time to time by one or more resolutions adopted by the Board. The Board has the authority to determine the preferences, limitations and relative rights of each series of preferred stock. At September 30, 2014, no shares of preferred stock were issued or outstanding.

NOTE 8 EQUITY INCENTIVES

In 2006, the Board and shareholders of the Company approved the 2006 Equity Incentive Plan (2006 Plan) that replaced the 2003 Equity Incentive Plan (2003 Plan). In May 2010, our shareholders approved an amendment to the 2006 Plan increasing the number of shares that may be issued under the plan by 4,500,000 shares to 9,600,000 shares. The 2006 Plan authorizes the Board, or a committee of the Board, to issue or transfer up to an aggregate of 9,600,000 shares of common stock, of which 1,495,143 remain available for issuance as of September 30, 2014. Awards under the 2006 Plan may include incentive stock options, non-statutory stock options, restricted stock units, restricted stock awards, and stock appreciation rights (SARs). At the option of the Board, SARs may be settled with cash, shares, or a combination of cash and shares. The Company settles the exercise of other stock-based compensation with newly issued common shares.

Stock-based compensation cost is estimated at the grant date based on the award s fair value as calculated by the Black-Scholes option pricing model and is recognized as compensation ratably on a straight-line basis over the requisite vesting/service period. As of September 30, 2014, there was $2.6 million of total unrecognized compensation cost related to share-based compensation arrangements, which is expected to be recognized over a weighted-average period of 1.5 years.

Stock Options and Stock Appreciation Rights

All stock options and SARs are approved prior to or on the date of grant. Stock options and SARs are granted at an exercise price equal to or greater than the Company s closing stock price on the date of grant. Both award types vest over a period of zero to three years with a contractual term of five years after vesting. The Company estimates the fair value of stock options and SARs using the Black-Scholes valuation model. Key inputs and assumptions used to estimate the fair value of stock options and SARs include the grant price of the award, expected option term, volatility of the Company s stock, the risk-free rate and the Company s dividend yield. The following table presents the weighted-average assumptions used in the valuation and the resulting weighted-average fair value per option or SAR granted:

For the Nine Months Ended September 30:	**2014**
Expected Life *	3.5 to 6.0 years

Interest Rate+		0.36% to 1.37%
Volatility **+		62.04% to 87.82%
Dividend Yields		
Weighted Average Fair Value of Stock Appreciation Rights Granted During the Year	$	

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* The expected life is the number of years that the Company estimates, based upon history, that options or SARs will be outstanding prior to exercise or forfeiture.

** The Company s estimates of expected volatility are principally based on the historic volatility of the Company s common stock over the most recent period commensurate with the estimated expected life of the Company s stock options and other relevant factors.

+ The interest rate and volatility used by the Company in calculating stock compensation expense represent the values in effect at the date of grant for all awards.

At September 30, 2014, the aggregate intrinsic value of outstanding and exercisable (fully vested) stock options and SARs was nil and had a weighted-average remaining contractual term of 1.7 years. No stock options or SARs were exercised during the nine months ended September 30, 2014.

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Restricted Stock Units and Stock Awards

Grants of restricted stock units and stock awards (Stock Awards) have been made to Board members, officers, and employees. Stock Awards have been granted as performance based, earned over a required service period, or to Board members and the Company Secretary without any service requirement. Time based grants for officers and employees generally vest and stock is received without restriction to the extent of one-third of the granted stock for each year following the date of grant. Performance based grants are recognized as compensation based on the probable outcome of achieving the performance condition. Stock Awards issued to members of the Board and the Company Secretary that are fully vested at the time of issue are recognized as compensation upon grant of the award.

The compensation expense recognized by the Company for Stock Awards is based on the closing market price of the Company s common stock on the date of grant. For the nine months ended September 30, 2014, the weighted-average grant date fair value for Stock Awards was $1.42. The total fair value of stock awards vested during 2014 is $0.2 million.

Summary of Equity Incentive Awards

The following table summarizes activity under the Plans during the nine months ended September 30, 2014:

	Stock Options		SARs		Stock Awards	
	Weighted Average Exercise Price	**Number of Shares Under Option**	**Weighted Average Strike Price**	**Number of Shares Under Option**	**Weighted Average Grant Price**	**Number of Shares**
Balance at January 1, 2014	$ 7.44	544,999	$ 2.79	2,096,653	$ 2.70	2,280,890
Awards Granted					1.42	95,000
Awards Exercised or Earned					2.04	(156,158)
Awards Forfeited					2.39	(21,802)
Awards Expired	6.57	(163,887)				
Balance at September 30, 2014	$ 7.81	381,112	2.79	2,096,653	2.69	2,197,930
Exercisable at September 30, 2014	$ 8.73	231,112	2.06	571,745		

A summary of the status of the non-vested awards as of September 30, 2014 and changes during the nine months then ended is presented below:

	Stock Options		SARs		Stock Awards	
	Weighted Average Fair Value	**Number of Shares Under Option**	**Weighted Average Fair Value**	**Number of Shares Under Option**	**Weighted Average Fair Value**	**Number of Shares**

Balance at January 1, 2014	$	6.40	150,000	$	3.06	1,524,908	$	2.70	2,280,890
Awards Granted								1.42	95,000
Awards Vested or Earned								2.04	(156,158)
Awards Forfeited								2.39	(21,802)
Balance at September 30, 2014	$	6.40	150,000		3.06	1,524,908		2.69	2,197,930

Compensation Cost Recognized and Capitalized Related to Equity Incentives

Summary of Compensation Cost Recognized and Capitalized related to Equity Incentives for the Period ended (in thousands):	**September 30, 2014**	**December 31, 2013**
Stock Options	$	$
SARs:		
Performance based	411	417
Vesting over time	73	146
Stock Awards:		
Performance based	998	810
Vesting over time	378	933
Board of Directors and Secretary	135	601
Total		